

***NEBRASKA PUBLIC EMPLOYEES  
RETIREMENT SYSTEMS  
SCHOOL RETIREMENT SYSTEM  
2009***

**Fifty-sixth Actuarial Report for  
State Fiscal Year Ending June 30, 2011  
and  
System Plan Year Beginning July 1, 2009**

**December 2009**

Submitted By:  
Buck Consultants  
1200 Seventeenth Street, Suite 1200  
Denver, CO 80202





**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
**SCHOOL SYSTEM**

---

**TABLE OF CONTENTS**

**LETTER OF CERTIFICATION**

**SUMMARY OF ACTUARIAL REPORT**

**EXECUTIVE SUMMARY**

<b><u>Exhibit Number</u></b>	<b><u>Title</u></b>	<b><u>Page</u></b>
1	System Assets _____	1
2	Actuarial Contribution Requirement _____	4
3	Actuarial (Gain)/Loss _____	7
4	Actuarial Balance Sheet _____	9
5	Accounting Information _____	10
6	Summary of Member Data _____	13
7	Forecast of Expected Disbursements _____	17
8	Summary of Plan Provisions _____	18
9	Summary of Actuarial Methods and Procedures as of July 1, 2009 _____	23
10	Summary of Actuarial Assumptions as of July 1, 2009 _____	26
11	Glossary of Terms _____	31





December 7, 2009

Public Employees Retirement Board  
Nebraska Public Employees Retirement Systems  
Post Office Box 94816  
Lincoln, NE 68509

**Re: Certification of Actuarial Valuation  
School Retirement System**

Ladies and Gentlemen:

This report summarizes the results of the actuarial valuation of the School Retirement System as of July 1, 2009, performed by Buck Consultants, LLC.

The actuarial valuation is based on unaudited financial and member data provided to us by the Nebraska Public Employees Retirement Systems and summarized in this report. The benefits considered are those delineated in Nebraska State Statutes, effective as amended July 1, 2009.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. This report fully and fairly discloses the actuarial position of the plan.

Based on the results of our actuarial valuation, current statutory contributions are sufficient to meet the plan's funding policy. The contributions paid by members, school employers, and the State defined by statute currently exceed the actuarially required contribution, which is equal to the sum of the annual normal cost and the annual payment necessary to amortize any unfunded liabilities over 30 years. In accordance with Nebraska State Statutes Section 79-916(b), a state contribution is required to fund the Omaha Service Annuity. For the 2010/2011 fiscal year, no additional contribution is necessary to meet the actuarially required contribution for the Nebraska School Retirement System, and a contribution of \$884,106 is required to fund the Omaha Service Annuity. Significant investment losses experienced during the prior year are recognized over a five-year period. As these losses are recognized, additional state contributions may be required in future years.

We are available to answer any questions on the material contained in this report, or to provide explanations to further details as may be appropriate.

Respectfully submitted,

BUCK CONSULTANTS, LLC

David H. Sliskinsky, A.S.A., E.A., M.A.A.A.  
Principal and Consulting Actuary



**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS**  
**SCHOOL SYSTEM**

---

**SUMMARY OF ACTUARIAL REPORT FOR CONTRIBUTION REQUIREMENTS AND  
FUNDED STATUS FOR PLAN YEAR 2009/2010**

The main purposes of this report are:

1. To determine the actuarial soundness of the School District and member contributions defined under Nebraska State Statutes to fund the total Formula Annuity for the Nebraska School System and the Omaha Service Annuity, and whether additional contributions are required for the fiscal year ending June 30, 2011;
2. To review the current funded status of the System; and
3. To compare actual and expected experience under the plan during the plan year beginning July 1, 2008 and ending June 30, 2009.

The 2009 actuarial valuation is based upon the plan provisions as of July 1, 2009, as described in Exhibit 8. The actuarial methods and assumptions are described in Exhibits 9 and 10.

Highlights from the current valuation:

1. Under Legislative Bill 187, from September 1, 2009 to September 1, 2014, the member contribution rate increases from 7.28% to 8.28% and the State match increases from 0.7% to 1.0% of covered pay. On September 1, 2014, the member contribution rate returns to 7.28% and the State match returns to 0.7%.
2. No additional State contribution is required for the 2010/2011 fiscal year to pay the normal cost and amortize any unfunded liabilities for the Nebraska School System. A contribution of \$884,106 by the State is required to fund the Omaha Service Annuity. The present value of future Formula Annuity benefits is greater than the sum of the Actuarial Value of Assets and the present values of future member and employer contributions and State appropriations, resulting in a liability of \$345,878,712 in funding. This is an increase of \$177,316,695 over last year's liability of \$168,562,017.
3. A loss was experienced on the actuarial value of assets during the 2008/2009 plan year. The annual rate of return on Market Value was (19.1%). The rate of return on Actuarial Value of 1.9% fell short of the 8.0% assumed investment return rate by 6.1%, resulting in a decrease to the Actuarial Value by \$419,372,347.
4. The plan experienced a decremental gain over the period, primarily due to salary increases less than assumed and no increase in the CPI for the year resulted in no Cost of Living increases granted to members currently in receipt. The actuarial accrued liability decreased by \$36,320,301 as a result of favorable decremental experience.
5. The funded status of the system as measured by the ratio of the system assets over the Pension Benefit Obligation (PBO) decreased. The PBO is calculated using the Projected Unit Credit Method, which determines the benefit by using service at the valuation date and projecting salary to assumed termination or retirement. Since the July 1, 2008 actuarial valuation, the funded percentage on Actuarial Value decreased from 97.7% to 93.4%. This decrease was primarily due to asset performance less than expected.



**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**EXECUTIVE SUMMARY**

**Basic Actuarial Valuation Results**

The 2009 actuarial valuation results are based upon the plan provisions as of July 1, 2009 as described in Exhibit 8. The key findings of the actuarial valuation are summarized below.

**1. Funding of Total Formula Annuity**

The total actuarially required contribution is equal to the normal cost plus an amortization payment for unfunded liabilities. Unfunded liabilities created due to experience gains or losses, plan changes or assumption changes are amortized over 30 years.

The member contribution rate is 7.28% of pay as of July 1, 2009, and increases to 8.28% effective September 1, 2009. The School District's funding of liabilities is equal to 101% of the employee contribution rate. The State contributes 1.0% of covered pay and an annual appropriation of \$5,639,235, as well as any additional required funding. On September 1, 2014, the member contribution rate will decrease to 7.28% and the State match will decrease to 0.7%.

The minimum total required contribution rate increased from 15.46% to 17.24% of pay from the 2008/2009 plan year to the 2009/2010 plan year. A history of required contribution rates is shown below. For fiscal years 1999/2000 through 2002/2003, this contribution rate is the rate required to cover the excess formula annuity only. For fiscal years 2003/2004 and thereafter, this contribution rate is the rate required to cover the entire formula annuity.

<b>History of Required Contribution Rates and Additional State Funding</b>		
<b>Fiscal Year</b>	<b>Total</b>	<b>Additional State Contributions*</b>
2010/2011	17.24%	\$ 0
2009/2010	15.46%	0
2008/2009	15.64%	0
2007/2008	16.58%	0
2006/2007	17.95%	12,847,537
2005/2006	16.97%	15,415,949
2004/2005	15.26%	0
2003/2004	13.45%	0
2002/2003	11.98%	0
2001/2002	9.15%	0
2000/2001	11.92%	0
1999/2000	5.69%	0

\*Excludes funding of Omaha Service Annuity.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

**EXECUTIVE SUMMARY**

**1. Funding of Total Formula Annuity (cont'd)**

Based on the 2009 actuarial valuation, the net required contribution rate of 16.82% is less than the actual contribution rate of 17.30%. Therefore, no additional State contributions are required for the 2010/2011 Fiscal Year.

**2. Asset Values**

The total assets of the system as of the current and prior valuation date at both market value and actuarial value, and the rate of return during the period is as follows:

	July 1, 2008	July 1, 2009	Annual Rate of Return
(a) Market value	\$ 6,578,300,402	\$ 5,265,649,707	(19.1%)
(b) Actuarial value, an adjusted value intended to reduce the effect of market fluctuations (Exhibit 1B)	\$ 6,932,918,638	\$ 7,007,581,825	1.9%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**EXECUTIVE SUMMARY**

**3. Actuarial Liability/(Reserve)**

The actuarial liability of the total Formula Annuity benefits is the excess of the total benefit obligation (present value of future benefits) over the projected financial resources (sum of (i) the actuarial value of assets and (ii) the present value of future member, employer, State contributions and PPSF Appropriations). If the projected financial resources exceed the total benefit obligation, the system has a Reserve. The actuarial position of the system as of the current and prior valuation dates are as follows:

	July 1, 2008	July 1, 2009
(a) Present value of future benefits	\$ 9,010,570,709	\$ 9,532,266,447
(b) Net actuarial value of assets	6,932,918,638	7,007,581,825
(c) Present value of future member contributions	899,534,097	1,013,744,024
(d) Present value of future employer contributions	908,529,438	1,023,881,464
(e) Present value of future State contributions	86,493,663	131,124,173
(f) Present value of future PPSF contributions	<u>14,532,856</u>	<u>10,056,249</u>
(g) Actuarial Liability/(Reserve) [(a) - (b) - (c) - (d) - (e) - (f)]	\$ 168,562,017	\$ 345,878,712

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**EXECUTIVE SUMMARY**

**4. Pension Benefit Obligation (PBO)**

The Pension Benefit Obligation represents a standardized disclosure measure of the present value of pension benefits payable in the future, which incorporates the effects of projected salary increases, based on service earned at the valuation date. The measure is intended to provide information regarding the Plan's funded status on an ongoing-concern basis, progress made in accumulating sufficient assets to pay benefits when due, and comparability to other plans.

Funded Status	July 1, 2008	July 1, 2009
(a) Pension Benefit Obligation		
i) retirees, disabled members and beneficiaries receiving benefits and deferred vested members not yet receiving benefits	\$ 3,506,258,919	\$ 3,655,733,047
ii) active members	<u>3,590,301,350</u>	<u>3,844,213,521</u>
iii) total pension benefit obligation	\$ 7,096,560,269	\$ 7,499,946,568
(b) Net assets available for benefits (actuarial value)	<u>6,932,918,638</u>	<u>7,007,581,825</u>
(c) Unfunded Pension Benefit Obligation/(Reserve)	\$ 163,641,631	\$ 492,364,743
(d) Funded percentage on actuarial value of assets [(b) ÷ (a)(iii)]	97.7%	93.4%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**EXECUTIVE SUMMARY**

**5. Benefit Accrual Cost**

The cost of benefits accruing over an active member's working career can be expressed as a level percentage of compensation or a level dollar amount. This cost represents the true cost of accruing benefits since it is not adjusted for any overfunding or underfunding which may exist on the valuation date. It is determined using the Entry Age Actuarial Cost Method and is also called the Normal Cost. The level benefit accrual cost determined during the current and prior valuation dates are as follows:

<b>Formula Annuity Benefit</b>	<b>July 1, 2008</b>	<b>July 1, 2009</b>
(a) Benefit accrual cost amount	\$ 163,680,590	\$ 174,720,880
(b) Annual compensation before assumed normal retirement age	\$ 1,465,102,720	\$ 1,562,019,021
(c) Benefit accrual cost rate as a level percentage of compensation [(a) ÷ (b)]	11.172%	11.186%

<b>Service Annuity Benefit</b>	<b>July 1, 2008</b>	<b>July 1, 2009</b>
(a) Annual Actuarial Contribution Amount Allocated to the Service Annuity		
(i) NPERS members	\$ 0	\$ 0
(ii) Omaha members	<u>772,674</u>	<u>884,106</u>
(iii) Total	\$ 772,674	\$ 884,106
(b) Number of active members before assumed retirement age		
(i) NPERS members	37,383	38,720
(ii) Omaha members	<u>6,976</u>	<u>7,240</u>
(iii) Total	44,359	45,960
(c) Benefit accrual cost per active member as a level dollar amount		
(i) NPERS members	\$ 63.12	\$ 63.53
(ii) Omaha members	\$ 71.14	\$ 72.23
(iii) Total	\$ 64.38	\$ 64.90

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

**EXECUTIVE SUMMARY**

**6. Forecast of Disbursements**

A forecast of the annual benefit disbursements expected over the next thirty years is presented in Exhibit 7. This forecast is based on the same actuarial assumptions with respect to salary increases and decrement rates used to determine the funding requirements. The forecast should be a useful guide in discussing the cash-flow needs of the system with investment managers and in projecting the future financing needs of the system.

**7. Actuarial Methods and Assumptions**

The required contributions developed in this report are estimates of the amounts necessary to provide ongoing benefits to plan members assuming the system is funded in a systematic manner. These estimates are based upon the actuarial method defined under State Statutes to allocate the total cost of the plan to various years and actuarial assumptions regarding the return on investments, salary rates, employee termination rates, mortality rates and other risk factors.

The actuarial method used to determine the actuarial contribution requirement necessary to fund current and future benefits is the Entry Age Actuarial Cost Method. A description of this method can be found in Exhibit 9.

The actuarial assumptions represent the expected long-term experience of the system on an explicit basis for each risk area considered. The experience is reviewed periodically. Where necessary, changes are recommended by the actuary and adopted by the Public Employees Retirement Board. Summaries of the actuarial methods and assumptions used in the current valuation are presented in Exhibits 9 and 10, respectively.

**8. Changes Since the Last Actuarial Valuation**

There have been no changes in the actuarial cost method, or actuarial assumptions since the last actuarial valuation as of July 1, 2008. Under Legislative Bill 187, from September 1, 2009 to September 1, 2014, the member contribution rate increases from 7.28% to 8.28% and the State match increases from 0.7% to 1.0% of covered pay. On September 1, 2014, the member contribution rate returns to 7.28% and the State match returns to 0.7%.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SYSTEM ASSETS**

<b>A. Summary of Assets</b>	<b>Market Value as of June 30, 2008</b>	<b>Market Value as of June 30, 2009</b>
1. Cash and Equivalents	\$ 2,367,993	\$ 2,399,605
2. Investments	6,650,082,507	5,347,243,342
3. Capital Assets	1,591,815	4,320,513
4. Receivables and Prepaids	432,655,235	221,290,409
5. Accounts Payable	(508,397,148)	(309,604,162)
<b>6. Net Assets Considered [1 + 2 + 3 + 4 + 5]</b>	<b>\$ 6,578,300,402</b>	<b>\$ 5,265,649,707</b>

<b>B. Development of Actuarial Value of Assets</b>	<b>Amount</b>
1. Actuarial Value of Assets as of July 1, 2008	\$ 6,932,918,638
2. Unrecognized Return as of July 1, 2008	\$ (354,618,236)
3. Contributions	
(a) Member (includes purchased service)	\$ 110,848,494
(b) Employer	110,028,942
(c) State appropriations*	<u>20,620,548</u>
(d) Total [(a) + (b) + (c)]	\$ 241,497,984
4. Benefit Payments (including transfers to Omaha)	\$ 300,771,337
5. Expected Return at 8% on:	
(a) Item 1	\$ 554,633,491
(b) Item 2	(28,369,459)
(c) Item 3(d)	9,474,083
(d) Item 4	<u>(10,798,687)</u>
(e) Total [(a) + (b) + (c) + (d)]	\$ 524,939,428
6. Actual Return on Market Value for 2008/2009 Plan Year, net of expenses	\$ (1,253,377,342)
7. Return to be Spread for 2008/2009 Plan Year [6 - 5(e)]	\$ (1,778,316,770)

\* Net of Omaha transfers.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SYSTEM ASSETS**

<b>B. Development of Actuarial Value of Assets (cont'd)</b>		<b>Amount</b>																								
8.	Total Market Value of Assets as of July 1, 2009	\$ 5,265,649,707																								
9.	Return to be Spread																									
<table border="1"> <thead> <tr> <th>Plan Year</th> <th>Return to be Spread</th> <th>Unrecognized Percent</th> <th>Unrecognized Return</th> </tr> </thead> <tbody> <tr> <td>2008/2009</td> <td>\$(1,778,316,770)</td> <td>80%</td> <td>\$ (1,422,653,416)</td> </tr> <tr> <td>2007/2008</td> <td>(963,448,268)</td> <td>60%</td> <td>(578,068,961)</td> </tr> <tr> <td>2006/2007</td> <td>582,348,736</td> <td>40%</td> <td>232,939,494</td> </tr> <tr> <td>2005/2006</td> <td>129,253,827</td> <td>20%</td> <td>25,850,765</td> </tr> <tr> <td colspan="3"><b>Total</b></td> <td><b>\$(1,741,932,118)</b></td> </tr> </tbody> </table>			Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return	2008/2009	\$(1,778,316,770)	80%	\$ (1,422,653,416)	2007/2008	(963,448,268)	60%	(578,068,961)	2006/2007	582,348,736	40%	232,939,494	2005/2006	129,253,827	20%	25,850,765	<b>Total</b>			<b>\$(1,741,932,118)</b>
Plan Year	Return to be Spread	Unrecognized Percent	Unrecognized Return																							
2008/2009	\$(1,778,316,770)	80%	\$ (1,422,653,416)																							
2007/2008	(963,448,268)	60%	(578,068,961)																							
2006/2007	582,348,736	40%	232,939,494																							
2005/2006	129,253,827	20%	25,850,765																							
<b>Total</b>			<b>\$(1,741,932,118)</b>																							
10.	<b>Total Actuarial Value of Assets at July 1, 2009 [8 – 9]</b>	<b>\$ 7,007,581,825</b>																								
11.	Asset Ratios																									
(a)	Actuarial Value to Market Value [10 ÷ 8]	133.1%																								
(b)	Market Value to Actuarial Value [8 ÷ 10]	75.1%																								

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SYSTEM ASSETS**

<b>C. Change in Asset Values During 2008/2009</b>	<b>Actuarial Value</b>	<b>Market Value</b>
1. Total asset value as of July 1, 2008		
(a) Reported last year	\$ 6,932,918,638	\$ 6,578,300,402
(b) Adjustment	N/A	(11,199)
(c) Reported this year [(a) + (b)]	\$ 6,932,918,638	\$ 6,578,289,203
2. Contributions for 2008/2009		
(a) Member contributions paid during the year	\$ 110,848,494	\$ 110,848,494
(b) Employer contributions paid during the year	110,028,942	110,028,942
(c) State appropriations for the year*	<u>24,390,359</u>	<u>24,390,359</u>
(d) Contributions for 2008/2009 [(a) + (b) + (c)]	\$ 245,267,795	\$ 245,267,795
3. Disbursements for 2008/2009		
(a) Benefit payments**	\$ 300,771,337	\$ 300,771,337
(b) Expenses and fees	14,816,717	14,816,717
(c) Transferred Omaha appropriation	<u>3,769,811</u>	<u>3,769,811</u>
(d) Disbursements for 2008/2009 [(a) + (b) + (c)]	\$ 319,357,865	\$ 319,357,865
4. Investment return for 2008/2009		
(a) Investment income	\$ 129,824,342	\$ 129,824,342
(b) Securities lending income	3,611,200	3,611,200
(c) Securities lending expense	(3,611,200)	(3,611,200)
(d) Net appreciation/(depreciation) in fair value of investments	(1,368,395,438)	(1,368,395,438)
(e) Other	21,670	21,670
(f) Unrecognized return including adjustment	<u>1,387,302,683</u>	<u>N/A</u>
(g) Investment return for 2008/2009 [(a) + (b) + (c) + (d) + (e) + (f)]	\$ 148,753,257	\$(1,238,549,426)
5. Total asset value as of July 1, 2009 [1(c) + 2(d) - 3(d) + 4(g)]	\$ 7,007,581,825	\$ 5,265,649,707
6. Approximate rate of investment return, net of expenses	1.9%	(19.1%)

\* Includes Omaha appropriation.

\*\* Includes transfers to Omaha for service annuities.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACTUARIAL CONTRIBUTION REQUIREMENT**

<b>A. Development of Actuarially Required Funding Rate</b>	<b>July 1, 2009</b>		
	<b>Nebraska School System Formula Annuity</b>	<b>Omaha Service Annuity</b>	<b>Total</b>
1. Actuarial present value of benefits			
(a) Active members	\$ 5,859,938,550	\$ 16,594,850	\$ 5,876,533,400
(b) Inactive members	389,680,805	638,456	390,319,261
(c) Retired members, disabilities and beneficiaries	<u>3,265,413,786</u>	<u>0</u>	<u>3,265,413,786</u>
(d) Total	\$ 9,515,033,141	\$ 17,233,306	\$ 9,532,266,447
2. Present Value of Future Normal Costs	<u>1,437,530,459</u>	<u>2,396,670</u>	<u>1,439,927,129</u>
3. Total Actuarial Accrued Liability [1(d) - 2]	\$ 8,077,502,682	\$ 14,836,636	\$ 8,092,339,318
4. Actuarial Value of Assets	<u>6,996,907,656</u>	<u>10,674,169</u>	<u>7,007,581,825</u>
5. Unfunded Actuarial Accrued Liability [3 - 4]	\$ 1,080,595,026	\$ 4,162,467	\$ 1,084,757,493
6. Annual Contribution to Amortize Unfunded Actuarial Accrued Liability Bases (see page 6)			
(a) Amount	\$ 94,211,872	\$ 361,184	\$ 94,573,056
(b) Amount as % of Pay	6.02%	0.03%	6.05%
7. Annual Normal Cost			
(a) Amount	\$ 174,197,958	\$ 522,922	\$ 174,720,880
(b) Amount as % of Pay	11.16%	0.03%	11.19%
8. Total Annual Actuarially Required Contribution			
(a) Amount [6(a) + 7(a)]	\$ 268,409,830	\$ 884,106	\$ 269,293,936
(b) Amount as % of Pay	17.18%	0.06%	17.24%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACTUARIAL CONTRIBUTION REQUIREMENT**

<b>B. Development of Additional State Contributions for Nebraska School System Fiscal Year 2010/2011</b>	<b>Annual Amount as a % of Pay</b>
1. Actuarially Required Contribution	
a. Amount	\$ 268,409,830
b. State PPSF appropriation	<u>5,639,235</u>
c. Net amount [(a) - (b)]	\$ 262,770,595
d. Net Amount as % of Pay	16.82%
2. Statutory Contribution Rates	
a. Employee Contribution Rate	8.11%
b. Employer Contribution Rate	8.19%*
c. State Contribution Rate	<u>1.00%</u>
d. Total Contribution Rate [(a) + (b) + (c)]	17.30%
3. Additional Required State Contribution	
a. Additional Required State Contribution Rate [1(d) - 2(d), not less than 0%]	0.00%
b. Additional Required State Contribution Amount	\$ 0

\* 101% of employee contribution

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACTUARIAL CONTRIBUTION REQUIREMENT**

<b>C. Schedule of Amortization Bases</b>	<b>Original Amount</b>	<b>July 1, 2009 Remaining Payments</b>	<b>Date of Last Payment</b>	<b>Outstanding Balance as of July 1, 2009</b>	<b>Annual Contribution</b>
2006 Unfunded Actuarial Accrued Liability Base	\$ 845,226,412	27	07/01/2036	\$ 821,004,436	\$ 72,245,083
2007 Unfunded Actuarial Accrued Liability Base	\$ (163,793,512)	28	07/01/2037	\$ (160,786,090)	\$ (14,000,125)
2008 Unfunded Actuarial Accrued Liability Base	\$ 54,258,200	29	07/01/2038	\$ 53,779,239	\$ 4,637,678
2009 Unfunded Actuarial Accrued Liability Base	\$ 370,759,908	30	07/01/2039	\$ 370,759,908	\$ 31,690,420
<b>Total</b>				<b>\$1,084,757,493</b>	<b>\$ 94,573,056</b>

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACTUARIAL (GAIN)/LOSS**

<b>A. Change in Actuarial Accrued Liability</b>		
1.	Actual Actuarial Accrued Liability as of July 1, 2008	\$ 7,654,536,359
2.	Benefits accrued during the 2008/2009 plan year	163,680,590
3.	Benefit payments during the 2008/2009 plan year*	300,771,337
4.	Interest at 8%	<u>607,985,491</u>
5.	Expected Actuarial Accrued Liability as of July 1, 2009 [1 + 2 - 3 + 4]	\$ 8,125,431,103
6.	Decremental (Gain)/Loss by Source	
	(a) Retirement	\$ 35,906,265
	(b) Termination	34,033,180
	(c) Disability	1,182,330
	(d) Pre-retirement mortality	(388,945)
	(e) Post-retirement mortality	8,441,364
	(f) Salary	(32,142,508)
	(g) New entrants / Rehires	36,468,543
	(h) Data changes/COLA/miscellaneous	<u>(119,820,530)</u>
	(i) Total decremental (gain)/loss	\$ (36,320,301)
7.	Change in Plan Provisions	<u>3,228,516</u>
8.	Actual Actuarial Accrued Liability as of July 1, 2009 [5 + 6(i) + 7]	\$ 8,092,339,318

\* Net of transfer to Omaha.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACTUARIAL (GAIN)/LOSS**

<b>B. Change in Net Actuarial Value of Assets</b>	<b>Amount</b>
1. Total Actuarial Value of Assets as of July 1, 2008	\$ 6,932,918,638
2. Contributions	\$ 110,848,494
(a) Member	110,028,942
(b) Employer	<u>20,620,548</u>
(c) State appropriation*	\$ 241,497,984
(d) Total	
3. Benefit Payments*	\$ 300,771,337
4. Expected Return at 8% on:	
(a) Item 1	\$ 554,633,491
(b) Item 2(d)	9,474,083
(c) Item 3	<u>10,798,687</u>
(d) Total [(a) + (b) - (c)]	\$ 553,308,887
5. Expected Total Actuarial Value of Assets at June 30, 2009 [1 + 2(d) - 3 + 4(d)]	\$ 7,426,954,172
6. Actual Total Actuarial Value of Assets at June 30, 2009	7,007,581,825
7. Actuarial (Gain)/Loss on Asset Sources [5 - 6]	\$ 419,372,347
<b>8. Total Actuarial (Gain)/Loss for the 2008/2009 plan year     [A(6)(i) + B(7)]</b>	<b>\$ 383,052,046</b>

\* Net of transfers to Omaha.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACTUARIAL BALANCE SHEET**

<b>A. Financial Resources</b>	<b>July 1, 2009</b>
1. Total Actuarial Value of Assets	\$ 7,007,581,825
2. Present Value of Future Contributions	
(a) Member	\$ 1,013,744,024
(b) Employer	1,023,881,464
(c) State	131,124,173
(d) State PPSF Appropriations	<u>10,056,249</u>
(e) Total	2,178,805,910
3. Actuarial Liability/(Reserve)	<u>345,878,712</u>
4. Total Assets [1 + 2(e) + 3]	\$ 9,532,266,447

<b>B. Benefit Obligations</b>	<b>July 1, 2009</b>
1. Present Value of Future Benefits	
(a) Active members	\$5,859,938,550
(b) Inactive members	389,680,805
(c) Retirees, disabilities and beneficiaries	<u>3,265,413,786</u> \$ 9,515,033,141
(d) Omaha	
(i) active	16,594,850
(ii) deferred vested	638,456
(iii) retired	<u>0</u> \$ <u>17,233,306</u>
(e) Total	\$ 9,532,266,447

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACCOUNTING INFORMATION**

**A. Pension Benefit Obligation under the Projected Unit Credit Cost Method**

	July 1, 2008	July 1, 2009
<b>Pension Benefit Obligation (PBO)</b>		
Vested PBO		
(a) members currently receiving payments	\$ 3,109,583,957	\$ 3,265,413,786
(b) other members		
(i) accumulated member contributions	1,528,174,403	1,595,578,946
(ii) employer financed vested	<u>2,350,306,859</u>	<u>2,518,091,126</u>
Total Vested PBO	\$ 6,988,065,219	\$ 7,379,083,858
Nonvested PBO	<u>108,495,050</u>	<u>120,862,710</u>
Total PBO	\$ 7,096,560,269	\$ 7,499,946,568
Total Actuarial Value of Assets	<u>6,932,918,638</u>	<u>7,007,581,825</u>
Unfunded Pension Benefit Obligation (Reserve)	\$ 163,641,631	\$ 492,364,743
Funded Percentage		
(a) on vested PBO	99.2%	95.0%
(b) on total PBO	97.7%	93.4%

**B. Change in Pension Benefit Obligation from July 1, 2008 to July 1, 2009**

<b>Pension Benefit Obligation at July 1, 2008</b>	\$ 7,096,560,269
Increase/(Decrease) during Period	
Plan Provisions Changes	\$ 276,093
Benefits Accumulated	197,092,510
Benefits Paid*	(300,771,337)
Interest Cost	572,693,535
Plan Experience	<u>(65,904,502)</u>
Total Change	\$ 403,386,299
<b>Pension Benefit Obligation at July 1, 2009</b>	\$ 7,499,946,568

\* Excludes transfer of Omaha appropriations.

Exhibits 9 and 10 provide a more detailed summary of the underlying actuarial methods and assumptions used in the calculations of the Pension Benefit Obligation. The benefits valued are those in effect on July 1, 2009 and 2008, respectively, as outlined in Exhibit 8. The determination of the Pension Benefit Obligation has been made in accordance with generally accepted actuarial principles and practices.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACCOUNTING INFORMATION**

**C. Schedule of Contributions from Employers and other Contributing Entities -  
Disclosure Requirements under GASB No. 25**

Plan Year Ending	Annual Required Contributions*			Percentage Contributed
	School	State	Total	
June 30, 2009	\$ 110,028,942	\$ 20,620,548	\$ 130,649,490	100%
June 30, 2008	105,977,554	15,832,941	121,810,495	100%
June 30, 2007	107,573,519	15,219,871	122,793,390	100%
June 30, 2006	102,089,105	28,056,703	130,145,808	100%
June 30, 2005	90,147,174	29,816,737	119,963,911	90%
June 30, 2004	87,438,804	14,154,879	101,593,683	100%

\* Includes funding for the Excess Formula Annuity, the Service Annuity, and supplemental funds. Excludes Omaha appropriations.

**D. Actuarial Assumptions, Method and Additional Information under GASB No. 25**

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, closed
Equivalent Single Amortization Period	28 years
Asset Valuation Method	5 year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.5% - 7.46%
*Includes inflation at	3.5%
Cost-of-living adjustment	2.5% with a floor benefit equal to 75% purchasing power of original benefit

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**ACCOUNTING INFORMATION**

**E. Schedule of Funding Progress under GASB No. 25**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Accrued Liabilities (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
June 30, 2009	\$ 7,007,581,825	\$ 8,092,339,318	\$ 1,084,757,493	86.6%	\$ 1,481,568,432	73.2%
June 30, 2008	6,932,918,638	7,654,536,359	721,617,721	90.6%	1,389,124,819	51.9%
June 30, 2007	6,396,336,863	7,070,308,583	673,971,720	90.5%	1,325,616,322	50.8%
June 30, 2006	5,739,048,994	6,584,275,406	845,226,412	87.2%	1,247,684,378	67.7%
June 30, 2005	5,335,197,409	6,234,657,830	899,460,421	85.6%	1,214,227,197	74.1%
June 30, 2004	5,118,011,165	5,868,266,970	750,255,805	87.2%	1,170,601,127	64.1%

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SUMMARY OF MEMBER DATA**

<b>A. Active Members</b>	<b>July 1, 2008</b>	<b>July 1, 2009</b>
1. Number of Active Members		
(a) Before assumed retirement age	37,383	38,720
(b) Beyond assumed retirement age	<u>449</u>	<u>511</u>
(c) Total	37,832	39,231
2. Annual Considered Compensation*		
(a) Before assumed retirement age	\$ 1,465,102,720	\$ 1,562,019,021
(b) Beyond assumed retirement age	<u>8,327,671</u>	<u>9,666,818</u>
(c) Total	\$ 1,473,430,391	\$ 1,571,685,839
3. Accumulated Contributions	\$ 1,344,729,815	\$ 1,413,848,324
4. Active Member Averages		
(a) Age	46.1	46.1
(b) Service	11.7	11.7
(c) Compensation	\$ 38,947	\$ 40,062
(d) Accumulated Contributions	\$ 35,545	\$ 36,039
<b>B. Inactive Members</b>		
1. Number of inactive members (including Omaha)	18,995	19,413
2. Accumulated member contributions	\$ 183,444,588	\$ 181,730,622
3. Inactive member averages (excluding Omaha)		
(a) Age (vesteds only)	51.9	52.3
(b) Accumulated member contributions	\$ 9,909	\$ 9,616
<b>C. Retired Members and Beneficiaries</b>		
1. Number of members		
(a) System retirees	15,339	15,949
(b) Omaha retirees	0	0
2. Annual benefits - regular		
(a) System retirees	\$ 234,658,866	\$ 251,644,896
(b) Omaha retirees	<u>0</u>	<u>0</u>
(c) Total	\$ 234,658,866	\$ 251,644,896
3. Annual benefits-supplemental		
(a) System retirees	\$ 40,132,135	\$ 38,931,397
(b) Omaha retirees	<u>0</u>	<u>0</u>
(c) Total	\$ 40,132,135	\$ 38,931,397

\* Prior year pay is increased by the salary scale for each member. Total prior year compensation for 2008 and 2009 was 1,389,124,819 and 1,481,568,432, respectively.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SUMMARY OF MEMBER DATA**

**D. Distribution of Retired Members and Beneficiaries as of July 1, 2009**

Age Range	Number	Annual Benefit	Average Annual Benefit
59 & Under	1,292	\$ 35,445,367	\$ 27,434
60-64	2,929	76,792,838	26,218
65-69	3,494	68,977,799	19,742
70-74	2,949	48,521,070	16,453
75-79	2,274	30,371,604	13,356
80-84	1,522	18,751,779	12,320
85-89	908	8,306,966	9,149
90 & Over	581	3,408,870	5,867
Total	15,949	\$ 290,576,293	\$ 18,219

**E. Member Data Reconciliation**

	Active Members	Inactive Members			Total
		With Deferred Benefits	Terminated with Balance	Retired Members and Beneficiaries	
As of July 1, 2008	37,832	6,159	12,836	15,339	72,166
Changes in status					
a) Normal & early retirements	(669)	0	0	669	0
b) Became payable	0	(245)	(4)	249	0
c) Deaths	(20)	(15)	(38)	(379)	(452)
d) Nonvested terminations	(1,235)	0	1,235	0	0
e) Vested terminations	(699)	699	0	0	0
f) Contribution refunds	(512)	(193)	(687)	0	(1,392)
g) Beneficiaries in receipt	0	0	0	103	103
h) Disability retirements	(12)	(2)	(1)	15	0
i) Return to active service	739	(253)	(486)	0	0
j) Expired benefits	0	0	0	(63)	(63)
k) Data corrections	(3)	32*	(9)	(1)	19
Total changes in status	(2,411)	23	10	593	(1,785)
New entrants					
a) Without prior service	3,457	17	329	0	3,803
b) With prior service	353	0	39	17	409
Total new members	3,810	17	368	17	4,212
Net change	1,399	40	378	610	2,427
As of July 1, 2009	39,231	6,199**	13,214	15,949	74,593

\* Includes increase of 32 Omaha deferred vested members.

\*\* Includes 515 Omaha deferred vested members eligible for a service annuity benefit.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SUMMARY OF MEMBER DATA**

**F. Age and Service Distribution of Active Members as of July 1, 2009**

Age Last Birthday		0-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 34	Total
15-19	Number	57	0	0	0	0	0	0	0	57
	Total Salary	\$ 610,079	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 610,079
	Average Salary	\$ 10,703	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,703
20-24	Number	1,109	6	0	0	0	0	0	0	1,115
	Total Salary	\$ 24,235,801	\$ 159,521	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,395,322
	Average Salary	\$ 21,854	\$ 26,587	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,879
25-29	Number	2,878	749	3	0	0	0	0	0	3,630
	Total Salary	\$ 91,306,826	\$ 30,628,161	\$ 74,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 122,009,287
	Average Salary	\$ 31,726	\$ 40,892	\$ 24,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,611
30-34	Number	1,429	1,680	557	1	0	0	0	0	3,667
	Total Salary	\$ 38,474,775	\$ 72,698,013	\$ 27,191,107	\$ 47,982	\$ 0	\$ 0	\$ 0	\$ 0	\$ 138,411,877
	Average Salary	\$ 26,924	\$ 43,273	\$ 48,817	\$ 47,982	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,745
35-39	Number	1,446	937	1,388	418	1	0	0	0	4,190
	Total Salary	\$ 31,771,767	\$ 36,349,643	\$ 69,161,886	\$ 23,412,826	\$ 29,761	\$ 0	\$ 0	\$ 0	\$ 160,725,883
	Average Salary	\$ 21,972	\$ 38,794	\$ 49,828	\$ 56,012	\$ 29,761	\$ 0	\$ 0	\$ 0	\$ 38,359
40-44	Number	1,514	899	706	1,031	397	0	0	0	4,547
	Total Salary	\$ 31,466,741	\$ 29,626,899	\$ 31,301,546	\$ 56,505,334	\$ 22,507,494	\$ 0	\$ 0	\$ 0	\$ 171,408,014
	Average Salary	\$ 20,784	\$ 32,955	\$ 44,336	\$ 54,806	\$ 56,694	\$ 0	\$ 0	\$ 0	\$ 37,697
45-49	Number	1,450	1,218	839	673	982	444	5	0	5,611
	Total Salary	\$ 29,726,634	\$ 35,672,098	\$ 30,781,207	\$ 32,643,285	\$ 55,625,226	\$ 25,819,415	\$ 238,778	\$ 0	\$ 210,506,643
	Average Salary	\$ 20,501	\$ 29,287	\$ 36,688	\$ 48,504	\$ 56,645	\$ 58,152	\$ 47,756	\$ 0	\$ 37,517
50-54	Number	1,052	950	885	757	647	938	662	1	5,892
	Total Salary	\$ 21,717,718	\$ 27,318,309	\$ 29,845,755	\$ 32,586,351	\$ 32,087,049	\$ 54,410,911	\$ 40,588,225	\$ 54,595	\$ 238,608,913
	Average Salary	\$ 20,644	\$ 28,756	\$ 33,724	\$ 43,047	\$ 49,594	\$ 58,007	\$ 61,312	\$ 54,595	\$ 40,497
55-59	Number	852	688	680	839	800	657	907	390	5,813
	Total Salary	\$ 19,767,495	\$ 20,188,600	\$ 23,237,501	\$ 33,174,889	\$ 38,121,748	\$ 35,618,229	\$ 54,524,803	\$ 24,570,931	\$ 249,204,196
	Average Salary	\$ 23,201	\$ 29,344	\$ 34,173	\$ 39,541	\$ 47,652	\$ 54,213	\$ 60,116	\$ 63,002	\$ 42,870
60-64	Number	626	431	361	433	506	346	230	373	3,306
	Total Salary	\$ 14,653,438	\$ 12,809,380	\$ 12,040,488	\$ 17,203,517	\$ 22,789,586	\$ 16,497,031	\$ 12,874,669	\$ 22,811,475	\$ 131,679,584
	Average Salary	\$ 23,408	\$ 29,720	\$ 33,353	\$ 39,731	\$ 45,039	\$ 47,679	\$ 55,977	\$ 61,157	\$ 39,830
65-69	Number	475	286	171	123	135	91	67	55	1,403
	Total Salary	\$ 6,669,659	\$ 5,537,111	\$ 4,156,938	\$ 3,685,166	\$ 4,537,841	\$ 3,338,670	\$ 2,868,027	\$ 3,215,222	\$ 34,008,634
	Average Salary	\$ 14,041	\$ 19,361	\$ 24,310	\$ 29,961	\$ 33,614	\$ 36,689	\$ 42,806	\$ 58,459	\$ 24,240
TOTAL	Number	12,888	7,844	5,590	4,275	3,468	2,476	1,871	819	39,231
	Total Salary	\$ 310,400,933	\$ 270,987,735	\$ 227,790,728	\$ 199,259,350	\$ 175,698,705	\$ 135,684,256	\$ 111,094,502	\$ 50,652,223	\$ 1,481,568,432
	Average Salary	\$ 24,084	\$ 34,547	\$ 40,750	\$ 46,610	\$ 50,663	\$ 54,800	\$ 59,377	\$ 61,846	\$ 37,765

Total salary is reported annualized prior year pay.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SUMMARY OF MEMBER DATA**

**H. Reconciliation of Data Submitted By NPERS and Valuation Data**

	Active Members	Inactive Members	Retired Members, Beneficiaries, and Disabled	Total
Number of Data Records Submitted By NPERS	39,434	18,722	15,913	74,069
<b>Additions</b>				
a) 2009 Active	4	0	30	34
b) 2008 Balance Only	0	0	0	0
c) 2008 Deferred Vested	0	0	3	3
d) 2008 Retired	0	0	0	0
e) 2008 Death with Beneficiary	0	0	3	3
f) Omaha	<u>0</u>	<u>515</u>	<u>0</u>	<u>515</u>
<b>Total</b>	<b>4</b>	<b>515</b>	<b>36</b>	<b>555</b>
<b>Subtractions</b>				
a) Also Listed as Deaths	(3)	0	0	(3)
b) Also Listed as Inactives or Retirees	0	(19)	0	(19)
c) Also Listed as Contribution Refunds	0	0	0	0
d) Benefits Expired	0	0	0	0
e) Not a member	(1)	(4)	0	(5)
f) Also Listed as Active	0	(4)	0	(4)
g) Assumed Terminated based on Date of Last Contribution	<u>(203)</u>	<u>203</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>(207)</b>	<b>176</b>	<b>0</b>	<b>(31)</b>
<b>Net change</b>	<b>(203)</b>	<b>691</b>	<b>36</b>	<b>524</b>
Number of Members Included in the Valuation as of July 1, 2009	39,231	19,413	15,949	74,593

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**FORECAST OF EXPECTED DISBURSEMENTS**

Plan Year Ending June 30	Active Employees	Retired and Disabled Members and Beneficiaries	Total
2010	\$ 26,464,826	\$ 288,854,366	\$ 315,319,192
2011	57,819,322	292,047,090	349,866,412
2012	90,695,433	294,867,780	385,563,213
2013	125,986,341	297,014,827	423,001,168
2014	163,386,869	298,065,653	461,452,522
2015	202,380,134	298,979,517	501,359,651
2016	242,329,252	299,398,041	541,727,293
2017	282,672,270	299,205,238	581,877,508
2018	324,522,380	298,350,333	622,872,713
2019	367,325,441	296,905,768	664,231,209
2020	410,682,490	294,865,266	705,547,756
2021	454,612,841	291,999,249	746,612,090
2022	499,380,353	288,266,305	787,646,658
2023	544,615,603	283,494,936	828,110,539
2024	590,392,355	278,029,556	868,421,911
2025	635,887,087	272,416,865	908,303,952
2026	681,996,576	266,117,271	948,113,847
2027	728,284,715	258,956,538	987,241,253
2028	774,196,992	250,986,671	1,025,183,663
2029	820,401,740	242,158,839	1,062,560,579
2030	867,465,715	232,514,001	1,099,979,716
2031	913,923,611	222,063,291	1,135,986,902
2032	960,444,366	210,913,055	1,171,357,421
2033	1,006,810,219	199,051,350	1,205,861,569
2034	1,050,163,610	186,653,194	1,236,816,804
2035	1,090,441,420	173,724,375	1,264,165,795
2036	1,129,507,269	160,652,014	1,290,159,283
2037	1,167,628,923	147,475,741	1,315,104,664
2038	1,202,722,105	134,146,890	1,336,868,995
2039	1,234,514,791	121,093,272	1,355,608,063

**Note:** These amounts exclude distributions for vested inactive members eligible to receive future benefit payments. Benefit amounts for these members have not yet been determined.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

***SUMMARY OF PLAN PROVISIONS***

<b>Member</b>	Any person employed by a public school 15 or more hours per week shall be a member of the system. Employees at the date of establishment could have elected not to participate, and those covered under another system do not participate.
<b>Participation Date</b>	Date of becoming a member.
<b>Definitions</b>	
Final average earnings	The average of the highest three fiscal years after July 1, 1968 of pensionable pay during the period ending on the earlier of the participant's termination date or retirement date. For employees who become a member on or after July 1, 1996, earnings will be capped at the maximum earnings defined in Code 401(a)(17).
Fiscal year	Twelve month period ending June 30.
Member contributions	Members contribute 8.28% of pay. The School Districts contribute at a rate equal to 101% of the members' rate. Such contributions are credited with interest in accordance with State Statutes. Effective September 1, 2014, the member contribution rate will decrease to 7.28%.
Monthly pension benefit	The greater of (1) or (2). <ul style="list-style-type: none"> <li>(1) Amount: A monthly benefit equal to the sum of: <ul style="list-style-type: none"> <li>(a) A savings annuity which is the actuarial equivalent of the member's accumulated contributions, and</li> <li>(b) A service annuity equal to \$3.50 per year of service.</li> </ul> </li> </ul>

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

**SUMMARY OF PLAN PROVISIONS**

- (2) Amount: Members employed by a class I, II, III, IV, or VI School District may receive a formula annuity. The formula annuity is a monthly amount equal to the product of 2.00% of final average earnings times total years of service for those members who are employed on or after July 1, 2001.

To receive this benefit, retirement must occur after meeting the Rule of 85 requirements (minimum age 55) or attaining age 65.

An automatic annual cost-of-living adjustment (COLA) equal to the CPI-W index, with a maximum increase of 2.5% in any one year is provided for current and future retirees. Also provided is a minimum floor benefit equal to 75% of the purchasing power of the original benefit.

Normal Retirement Date (NRD)	First of month coinciding with or next following the attainment of age 65 and one-half year of service.
Service	Length of service includes all service as a school employee for which contributions have been made. This service only includes years for which the member was employed on at least a half-time basis, and includes declared emergency service in the armed forces, provided certain conditions are met. Special provisions allow credit for service prior to 1945 and for up to ten years of service in another State upon payment of the actuarial cost of the additional benefit granted.
Pensionable pay	Gross earnings subject to contributions.

**Eligibility for Benefits**

Deferred vested	Termination for reasons other than death or disability retirement after completing five years of service.
Disability retirement	Retirement by reason of disability.
Early retirement	Retirement before NRD and on or after both attaining age 60 and completing five years of service, or attaining 35 years of service regardless of age, or attaining age 55 and age plus service equals at least 85 (Rule of 85).
Normal retirement	Retire on NRD.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

**SUMMARY OF PLAN PROVISIONS**

Postponed retirement	Retire after NRD.
Pre-retirement spouse benefit	Death prior to retirement.

**Monthly Benefits Paid Upon the Following Events**

Normal retirement	Monthly pension benefit determined as of NRD.
Early retirement	Monthly pension benefit determined as of early retirement date, reduced by 3% for each year that commencement of payment precedes age 65 (member must be age 60 with five years of service). Unreduced benefits are available to members who have attained age 55 and whose age plus service is greater than or equal to 85. Benefits payable upon retirement prior to age 60 (based on the 35 year service rule) are actuarially reduced from age 65. The service annuity is a life annuity actuarially reduced before age 65 using 8% interest and the 1994 Group Annuity Mortality Table, 25% male, 75% female.
Postponed retirement	Monthly pension benefit determined as of actual retirement date.
Termination with deferred vested benefit	Monthly pension benefit determined as of termination date, reduced by 3% for each year that commencement of payment precedes age 65 (Early Commencement requires attainment of age 60).
Disability retirement	Monthly pension benefit determined as of disability retirement date.
Death with pre-retirement benefits	Survivor portion of 100% Joint and Survivor Annuity paid to spouse assuming retirement by member at death if the member is age 65 or has 20 years of service at death. If the member has met the 5-year vesting service requirement, has less than 20 years of service and is under age 65, the spouse may choose between the following two options:  <ol style="list-style-type: none"><li>(1) a lump sum equal to the member's contributions with interest plus 101% of the member's contributions with interest, and</li><li>(2) an annuity which equals the survivor portion of the 100% Joint and Survivor value of the member's accrued benefit, payable immediately, reduced for commencement before age 65 and the 100% joint and survivor form of payment.</li></ol>

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

**SUMMARY OF PLAN PROVISIONS**

Forms of payment

Pre-retirement death benefits are payable only as described above.

Monthly pension benefits are paid under the form of payment elected by the retiree at retirement. Payment forms include: life annuity, five year certain and life annuity, 100% joint and survivor annuity (spouse only), 10-year certain and life annuity, 15-year certain and life annuity, or a modified cash refund annuity. The normal form of payment for the formula annuity is a 5-year certain and life annuity.

**Funding Arrangement**

Pursuant to LB 407 enacted in 2002, the School Retirement Fund is created. Balances existing on June 30, 2002 in the School Employers Deposit Account, the School Employees Savings Account, the Service Annuity Account, the Annuity Reserve Account, and the School Employees Retirement System Reserve Fund (RSRF) shall be combined and transferred into the School Retirement Fund.

There are four funds established in the State Treasury, which receive monies and pay the expenses and benefits of the retirement system, as follows:

1. School Retirement Fund – receives required deposits of the employers, the State, and employees. Upon retirement, the fund pays all savings annuities, service annuities, and formula annuities.
2. Contingent Account – receives all interest, dividends, and miscellaneous income, pays all regular interest allocated to the other accounts or funds, and meets any deficiencies occurring in the other accounts or funds.
3. Expense Fund – pays all expenses connected with the operation and administration of the system, and receives annual contributions to cover anticipated expenses.
4. Omaha Service Annuity Fund – pays service annuity benefits to Omaha members.

***NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS***  
***SCHOOL SYSTEM***

---

***SUMMARY OF PLAN PROVISIONS***

**State Appropriation**

LB 700, passed in 1996, established a separate fund to provide for cost-of-living benefit adjustments to members ceasing employment on or after April 10, 1996. The COLA increases are 0.3% per year, beginning six years after retirement. This benefit is funded by State contributions. Beginning with the 1996/1997 fiscal year, the funding shall be 81.7873% of \$6,895,000 or \$5,639,235 annually, for each year through the 2010/2011 fiscal year.

**Benefits Reflected in Valuation**

All benefits were valued, including future cost-of-living increases as provided for by LB 674 and LB 711.

**Plan Provisions Effective after July 1, 2009**

No future changes in plan provisions were recognized in determining the GASB 25 funded status and in determining the actuarial soundness of statutory contribution levels.

**Changes in Plan Provisions Since the Prior Year**

Under Legislative Bill 187 passed during the 2009 Legislative Session, the member contribution rate increases from 7.28% to 8.28% and the State match increases from 0.7% to 1.0% of covered pay from September 1, 2009 to September 1, 2014. On September 1, 2014, the member contribution rate returns to 7.28% and the State match returns to 0.7%.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

**SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2009**

**A. ACTUARIAL METHODS**

- 1. Calculation of Normal Cost and Actuarial Accrued Liability:** The method used to determine the normal cost and actuarial accrued liability was the Entry Age Actuarial Cost Method described below.

**Entry Age Actuarial Cost Method**

Projected pension and preretirement spouse's death benefits were determined for all active members under age 70. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members under age 70 and determining an average normal cost rate which is then related to the total payroll of active members under age 70. The actuarial assumptions shown in Exhibit 10 were used in determining the projected benefits and cost factors. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, active members age 70 and over, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date. The initial unfunded actuarial accrued liability established July 1, 2004, is amortized with a level dollar payment amount over 25 years. At subsequent valuation dates, amortization bases equal to changes in the unfunded actuarial accrued liability are established and amortized with a level dollar payment over a 25-year period. Beginning July 1, 2006, the unfunded liability was reinitialized as of July 1, 2006 and amortized over a 30-year period. At subsequent valuation dates, amortization bases equal to changes in the unfunded actuarial accrued liability are established and amortized over a level dollar payment over a 30-year period. If the unfunded actuarial accrued liability is \$0 or less on the valuation date, all previous amortization bases are considered fully amortized.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

***SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2009***

- 2. Calculation of the Actuarial Value of Assets:** The actuarial value of assets is based on a five-year smoothing method and is determined by spreading the effect of each year's investment return in excess of or below the expected return. The Market Value of assets at the valuation date is reduced by the sum of the following:
- (i) 80% of the return to be spread during the first year preceding the valuation date,
  - (ii) 60% of the return to be spread during the second year preceding the valuation date,
  - (iii) 40% of the return to be spread during the third year preceding the valuation date, and
  - (iv) 20% of the return to be spread during the fourth year preceding the valuation date.

The return to be spread is the difference between (1) the actual investment return on Market Value and (2) the expected return on Actuarial Value. The Actuarial Value is determined using the total assets of the System, and is then allocated on a pro-rata basis to each reserve fund and account using Market Value. Effective July 1, 2000, the expected return on Actuarial Value includes interest on the previous year's unrecognized return.

- 3. Calculation of Pension Benefit Obligation:** The method used to determine the Pension Benefit Obligation was the Projected Unit Credit Actuarial Cost Method without service proration. Under this method, the benefit is based on salary projected to assumed termination or retirement and service as of the valuation date.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

***SUMMARY OF ACTUARIAL METHODS AND PROCEDURES AS OF JULY 1, 2009***

**B. VALUATION PROCEDURES**

No actuarial liability is included for participants who terminated without being vested prior to the valuation date, except those due a refund of contributions.

The compensation amounts used in the projection of benefits and liabilities for active members were determined from the prior plan year compensation increased one year with the salary scale. Compensation for new members with under a year of service were annualized by dividing reported salary by the portion of year worked. Actual historical compensation is not included in our calculations.

In computing accrued benefits, average compensation was determined by applying the salary scale assumption to most recent compensation to construct any salary history.

Projected benefits were not limited by the dollar limitation required by the Internal Revenue Code Section 415 as it applies to governmental plans. Compensation was limited by Section 401(a)(17).

Future monthly benefit amounts are not calculated or available for deferred vested members. The benefit liability for deferred vested members was calculated by loading the accumulated member contribution balances for deferred vested members by 131% to estimate the value of deferred benefit payments.

**Changes in Methods and Procedures Since the Prior Year**

There have been no changes in the actuarial methods or procedures since the last actuarial valuation as of July 1, 2008.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2009**

**ECONOMIC ASSUMPTIONS**

- 1. Investment Return 8% per annum, compounded annually, net of expenses.
- 2. Inflation 3.5% per annum, compounded annually.
- 3. Salary Increases Rates vary by service.  
Sample rates are as follows:

Rates by Service	
Years	Rate
<1	7.46%
1	7.27
5	6.76
10	6.18
15	5.71
20	5.45
25	5.24
30	5.07
35	4.82
40+	4.55

- 4. Interest on Employee Contributions 5.5% per annum, compounded annually.
- 6. Increase on Compensation 3.5% per annum on the 401(a)(17) compensation limit

**DEMOGRAPHIC ASSUMPTIONS**

- 1. Mortality
  - a. Healthy lives – Active members 1994 Group Annuity Mortality Table, projected to 2010 using scale AA (65% of male rates for males, 50% of female rates for females)
  - b. Healthy lives – Retired members and beneficiaries 1994 Group Annuity Mortality Table, projected to 2010 using scale AA (sex distinct)
  - c. Disabled lives 1983 Railroad Retirement Board Disabled Annuity Mortality (unisex)

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2009**

d. Healthy mortality rates and life expectancies are shown below at sample ages:

Sample Age	Pre-retirement Mortality			
	Mortality Rate		Life Expectancy (Years)	
	Males	Females	Males	Females
20	0.02%	0.01%	65.6	71.7
30	0.05	0.02	55.8	61.8
40	0.06	0.03	46.1	51.9
50	0.13	0.05	36.4	42.1
60	0.40	0.20	27.1	32.5
70	1.21	0.63	18.7	23.5

Sample Age	Post-retirement Mortality			
	Mortality Rate		Life Expectancy (Years)	
	Males	Females	Males	Females
50	0.19%	0.11%	32.4	35.7
60	0.62	0.41	23.3	26.3
70	1.86	1.27	15.4	17.9
80	5.28	3.52	8.9	10.7
90	14.34	11.08	4.6	5.5

e. Disabled mortality rates and life expectancies are shown below at sample ages:

Sample Age	Disabled Mortality	
	Mortality Rate	Life Expectancy (Years)
30	1.06%	30.5
40	1.35	23.6
50	3.16	17.7
60	4.25	13.6
70	6.75	9.6
80	10.77	6.3

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2009**

2. Retirement

Rates vary by age and eligibility for benefits.  
Rates are as follows:

<b>Retirement Rates When Eligible for Unreduced Benefits</b>		
<b>Age</b>	<b>Male</b>	<b>Female</b>
55	25%	25%
56	20	20
57	20	20
58	20	20
59	20	20
60	25	25
61	25	25
62	30	30
63	25	25
64	25	25
65	30	30
66	25	25
67	20	20
68	20	20
69	20	20
70	100	100

<b>Retirement Rates When Eligible for Reduced Benefits</b>		
<b>Age</b>	<b>Male</b>	<b>Female</b>
60	10%	10%
61	12	12
62	15	15
63	15	15
64	18	18

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

**SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2009**

3. Termination

Rates vary by service.  
Sample rates are as follows:

Rates by Service		
Years	Male	Female
<1	27.5%	31.7%
1	18.7	20.3
5	7.3	8.4
10	4.7	5.6
15	2.8	3.7
20	1.8	2.9
25	2.0	4.0
30	5.5	5.5
35+	10.0	6.5

4. Disability

Rates vary by age.  
Sample rates are as follows:

Age	Rate
25	.00%
30	.00
35	.03
40	.03
45	.06
50	.09
55	.13
60	.18

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

**SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JULY 1, 2009**

**OTHER ASSUMPTIONS**

- |   |  |
|---|--|
| 1. Form of Payment                              | Service annuity - Life annuity<br>Formula annuity - Five year certain and life annuity.  |
| 2. Marital Status                               |  |
| a. Percent married                              | 85% married  |
| b. Spouse's age                                 | Females assumed to be three years younger than males.  |
| 3. Administrative Expense                       | Investment return is assumed to be net of expenses.  |
| 4. Commencement age for deferred vested benefit | Age 62.  |
| 5. Cost of Living Adjustment                    | Service annuity – none<br>Formula annuity – 2.5% per annum, compounded annually, and 3.5% per annum, compounded annually, after reaching 75% purchasing power floor benefit. |

**Changes in Assumptions Since the Prior Year**

No changes were made to the actuarial assumptions since the last actuarial valuation performed July 1, 2008.

**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
SCHOOL SYSTEM**

---

**GLOSSARY OF TERMS**

<i>Actuarial Accrued Liability</i>	Total accumulated cost to fund pension benefits arising from service in all prior years.
<i>Actuarial Cost Method</i>	Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of participants to the years of service that give rise to that cost.
<i>Actuarial Present Value of Future Benefits</i>	Amount which, together with future interest, is expected to be sufficient to pay all future benefits.
<i>Actuarial Valuation</i>	Study of probable amounts of future pension benefits and the necessary amount of contributions to fund those benefits.
<i>Actuary</i>	Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.
<i>Annual Required Contribution</i>	Disclosure measure of annual pension cost.
<i>GASB 25 and GASB 27</i>	Governmental Accounting Standards Board Statement numbers 25 and 27 which specify how the Net Pension Obligation and Annual Required Contribution are to be calculated.
<i>Normal Cost</i>	That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual participant or the plan as a whole.
<i>Unfunded Actuarial Accrued Liability</i>	The portion of the actuarial accrued liability not offset by plan assets.
<i>Vested Benefits</i>	Benefits which are unconditionally guaranteed regardless of employment status.